Capital at Work:

Advancing Finland's capital market alongside the Savings & Investment Union

During the past two years, Europe has introduced several initiatives designed to make the European Union's capital markets more global, competitive and resilient. These proposals emphasize reducing excessive bureaucracy and simplifying regulation. In March 2025, the European Commission unveiled its strategy for **Savings and Investment Union (SIU)** with the goal of strengthening the EU's economic competitiveness and channeling household savings into productive investments. This initiative builds on discussions and legislative proposals ongoing since 2015 to establish a Capital Markets Union within the EU.

As the European Union advances its agenda for a more efficient and integrated capital market, Finland has an opportunity to implement changes that strengthen its own capital markets. The goal of the Savings and Investment Union is to offer solutions to long-term structural challenges in the EU's financial system by unlocking underutilized savings and encouraging investors to take on more risk accelerating innovation, the green and digital transitions. The goal of it is also to create a financial environment that supports the strengthening of defense capabilities that are vital for Europe's long-term competitiveness and strategic autonomy.

For small, open economies such as Finland that depend on foreign capital flows, it is essential to align the objectives of the Savings and Investment Union with national practices. Successfully implementing these initiatives can significantly enhance Finland's influence in shaping a more resilient and dynamic European financial landscape. The savings and investment union offers Finland an opportunity to deepen and modernize its capital markets.

Finland's financial system is built on strong foundations, including a highly educated workforce, advanced digital capabilities, a stable regulatory environment, and globally competitive sectors in clean technology, advanced manufacturing, and digital innovation. Despite these strengths, structural challenges continue to limit the full growth potential of Finland's capital markets. More inclusive, unified and future ready capital markets are essential not only for financing national priorities, but also for ensuring that Finland's voice is heard in shaping the future of European financial integration.

In this report, Nasdaq outlines key recommendations to revitalize the Finnish capital market empowering the real economy to generate growth. By adopting the reforms of the SIU and implementing complementary national measures, Finland can accelerate the flow of risk capital to where it is most needed and open up new opportunities for sustainable economic growth.

The financial sector growth strategy in Finland

In spring 2025, a working group appointed by the Finnish Ministry of Finance—including Nasdaq Helsinki—published its recommendations for building a more diverse and dynamic financial system in Finland. The goal is to strengthen economic stability and growth while boosting Finland's appeal as a marketplace. The Growth Strategy for the Financial Sector (Finanssialan kasvustrategia) identifies several priority areas for action: Increasing the use of equity-based financing among startups and growth companies, expanding the relatively small venture capital ecosystem, lowering threshold for companies to go public, and encouraging more balanced risk-taking by institutional investors such as pension funds. The working group underscores the pivotal role of innovative, growth-oriented companies as crucial drivers of economic growth and calls for improved access to risk capital, especially for start-ups in their early and scaling phases. The report also calls for reallocating public financial resources and shifting policy focus toward instruments and measures that foster entrepreneurship, innovation, and the development of new business models. While retail investor participation in Finland is already relatively high compared to other European countries, there's still plenty of untapped potential. Finnish households continue to hold a large share of their savings in bank accounts, highlighting a clear opportunity to further stimulate retail investment activity and deepen engagement with the capital markets.

Nasdaq fully supports the recommendations outlined in the Financial Sector Growth Strategy. We believe that, when combined with targeted national actions, these recommendations can help shape our capital markets to become more efficient, inclusive, and resilient better meeting the evolving needs of businesses, investors, and households. Maintaining and strengthening collaboration between the government and market participants will remain essential to the continued development of Finland's capital markets. A shared understanding of growth barriers, along with a stable and long-term business environment, lays the foundation for sustainable progress.

Nasdaq Focus Areas on Savings and Investment Union

Finland is well-positioned to take targeted, forward-looking steps to strengthen its capital markets. By addressing key structural challenges, Finland can not only contribute meaningfully to the goals of the Savings and Investments Union (SIU) but also create a capital market that stands out as accessible and attractive to international investors.

Together with its Nordic neighbors, Finland has the opportunity to foster an environment where businesses can grow, thrive, and become household names through public listings. To make this vision a reality, Nasdaq European Market sees four interconnected priority areas that align closely with the SIU agenda and offer a clear path toward a more vibrant and competitive financial ecosystem.

Unlocking Long-Term Risk Capital: Empowering Retail and Institutional Investors

To strengthen the EU's capital markets, it is essential to encourage institutional investors, such as pension funds, to allocate a greater share of their investments within the Union. Finnish pension funds are internationally respected for their strong governance and long-term investment strategies. However, their historically low equity exposure has limited the depth of domestic markets and the availability of growth financing. The 2025 pension reform will raise the upper limit for equity investments from 65 to 70 percent to 85 percent. This change is expected to invigorate Finland's capital markets and create new opportunities for domestic growth.

Retail investor participation can be further supported not only through tax incentives, such as introducing or enhancing equity savings accounts and lowering capital gains taxes, but also by simplifying the investment onboarding process, promoting digitalization, and improving financial literacy.

On September 30, 2025, the EU recommended that its member states introduce Savings and Investment Accounts (SIA) to encourage citizens to invest. According to the recommendation, these accounts should offer tax deferral, simple reporting, reasonable fees, and the possibility to transfer funds across borders. The recommendation is not binding for member states. On the same day, the European Commission also published a financial literacy strategy as part of the Savings and Investment Union. The strategy is built on four pillars: coordination of best practices, EU-level communication campaigns, funding for financial literacy initiatives, and progress monitoring. The aim is to support member states in developing citizens' financial literacy and investment skills. The impact will be tracked through regular Eurobarometer surveys, and member states are encouraged to develop their own assessment tools.

By unlocking more long-term risk capital, Finland can accelerate innovation, support business growth, and foster sustainable economic development. This means creating the right incentives and tools to channel both household savings and institutional capital into investments that build the future.

Harmonizing the Legal and Regulatory Framework: Reducing the burden on companies in public market

Effective regulation plays a crucial role in ensuring the stability of financial markets and investor protection. However, it is equally important to avoid imposing obligations that would unduly increase the cost or restrict the availability of financing. To facilitate cross-border regional investments and support SMEs, it is essential to simplify and harmonize EU legislation. The Listings Act was a step in the right direction, but further development of other legislative frameworks must continue. Nasdaq welcomes the EU's ongoing omnibus initiative aimed at simplifying corporate sustainability reporting, as well as broader efforts to improve business conditions across sectors. Regulatory conditions for the private sector should be eased by simplifying reporting and disclosure obligations, which over the years have become overly complex and, at times, inconsistent. While transparency is important, unnecessary administrative burdens should be reduced, as they divert resources from core operations.

Currently, there are significant differences in capital market regulation and supervisory practices among EU member states. Finland should avoid national overregulation and support the transformation of EU sectoral directives into directly applicable regulations. This would help ensure consistent implementation across member states and reduce regulatory uncertainty.

Supervision

The EU should establish a supervisory system that provides regulatory certainty and clear accountability between EU authorities and NCAs (National Competent Authorities). Differences in supervisory culture, skills, and resources across NCAs risk creating an uneven playing field. Enhanced cooperation and information sharing between EU regulators and NCAs are essential to achieve supervisory convergence. A more harmonized approach to EU legislation would simplify compliance and reduce burdens, particularly for cross-border activities and larger entities. Clear defining of responsibilities between EU-level oversight and NCAs will help maintain consistency while respecting fiscal responsibilities. NCAs must be equipped with adequate resources, expertise, and technical capabilities to uphold a level playing field. Industry-led best practices can complement these efforts and support consistent application of rules.

Attracting Offshore Investments: Creating a More Accessible and Transparent EU Market

The EU's capital markets have become increasingly fragmented, which has reduced international investors' interest in European markets. The MiFID II/MiFIR regulation, which came into force in 2018 and aimed to strengthen investor protection and increase trading transparency, brought significant improvements in transparency, trading practices, and investor safeguards. However, it also led to market fragmentation, making it more difficult especially for international investors to operate within the EU.

The growth of bilateral OTC trading has dispersed liquidity and made the trading environment more complex, particularly for international investors seeking efficient ways to invest in EU listed equities. Barriers to trading should be lowered, and trading in transparent order books should be encouraged to improve price formation in our equity markets. A well-functioning listing market cannot be built without an efficiently functioning and supervised secondary market, where price formation is reliable and liquidity is sufficient.

Harmonizing the EU Post-Trade Infrastructure: Enabling Seamless Cross Border Capital Flows

The interoperability of post-trade systems between EU countries should be improved and made more efficient. To reduce investment costs and improve access to capital in Europe, it is important to reduce post-trade fragmentation by harmonising securities laws, market practices, and technology standards. This will foster greater interconnectivity among EU CSDs, enabling more efficient post trade processes within the single market. To achieve seamless cross-border movement of securities and a free choice of a listing venue facilitating the establishment of CSD links is very important. The lack of established CSD links between Finland and the Baltics, Estonia especially, is today a key obstacle for the development of a more integrated market between these countries. By promoting close cooperation in the Nordic and Baltic regions, Finland can help shape a more integrated and efficient infrastructure for trade settlement functions—one that benefits this region and serves as a model for broader European reform.

The EU is Finland's largest trading partner, and therefore improving the EU's competitiveness is very important. In addition, the development of Finland's capital markets and business environment should continue to strengthen our competitiveness.

Developing Finland's Capital Markets

To strengthen its position in the evolving European financial landscape, Finland should transition from a traditional bank centered financing model toward more diversified corporate funding. Equity based financing should play an increasingly central role in supporting investments that drive innovation and long-term economic growth.

The Helsinki Stock Exchange has historically delivered competitive long-term returns in international comparisons. Continuing this trend requires Finland to respond to challenges that have emerged in recent years and to support the functioning of its capital markets with appropriate measures.

Nasdaq supports various development proposals put forward by different market participants to promote capital markets and economic growth in Finland. However, the following proposals are those that Nasdaq believes best enhance the efficiency of the financial market operating environment in Finland.

Nasdaq Helsinki's proposals for strengthening Finland's financial ecosystem

Modernizing Taxation to Stimulate Investment and Growth

Capital Gain Taxation – Implementing Neutral dividend taxation

The capital income taxation should be revised so that the tax treatment of unlisted and listed companies and their shareholders is made neutral. In a neutral dividend taxation model, dividend income would be treated uniformly regardless of the nature of the company's business, its asset position, or whether the company is publicly listed or not.

Modernizing Inheritance and Gift Tax

The current inheritance and gift tax should be replaced with a model where tax is only levied upon the sale of inherited assets, in the form of capital gains tax. A similar model was successfully implemented in Sweden in 2005. The reform has supported generational transitions in businesses, reduced administrative burdens, and increased investments. According to Sweden's experience, shifting taxation to the moment of sale has reduced forced sales. The reform also encouraged wealthy families to return to the country. Capital gains tax was increased to offset the loss in tax revenue, and economic activity grew. Introducing a similar system in Finland could help retain wealth within the country, strengthen the continuity of family businesses, and reduce tax-driven emigration.

Broadening Finland's Investor Base

To strengthen the capital market, it's important to foster a more diverse investor base. A market with participants of varying sizes, risk appetites, and perspectives tends to offer greater depth, improved liquidity, and more efficient price discovery. Finnish shareholders and companies play a vital role in driving economic growth and employment, and it's essential to encourage long-term saving and direct investment among citizens, while also supporting companies in their efforts to grow and create jobs.

In Finland, domestic shareholding remains concentrated among a few large institutional investors, while the mid-sized investor segment is relatively small. At the same time, there is a strong foundation to build on: over one million Finnish individuals already own shares, and as of August 2025, nearly 425,000 active Equity Savings Accounts have been opened.

Developing the Equity Savings Account

The share savings account, introduced in Finland in 2020, offers investors tax benefits and allows profits to be reinvested without immediate taxation. It simplifies equity investing and encourages long-term wealth accumulation. Sweden's equivalent, the ISK account (Investeringssparkonto), was launched in 2012. By the end of 2023, around 3.8 million people in Sweden had opened an ISK account. Its popularity is driven by tax efficiency, simplicity, and a wide range of investment options, making it attractive to both beginner and experienced investors.

Looking ahead, the Equity Savings Account should continue to evolve in Finland. Expanding the range of eligible financial instruments and enhancing the account's features can help make it an even more effective tool for engaging retail investors and channeling household savings into productive investments.

- The type of transferable financial instruments to keep on the Equity Savings Account should be increased (publicly traded ETFs, bonds, standardized derivatives, and exchange traded products).
- The deposit cap should be removed.
- Number of Equity Savings Accounts per private individual should not be limited.

Pension Savings

The possibility to influence on person's own pension investments should be increased by copying the model in Sweden, for example. The pension reform in the late 1990's in Sweden, which allowed citizens to choose investment targets for a portion of their pension funds, made investing a part of everyday life and increased its popularity. This has strengthened Swedes' financial literacy and made investing a part of the national culture. Adopting a similar mechanism in Finland to enable individuals to allocate a portion of their pension into selected funds could strengthen domestic ownership and foster a more robust equity culture.

Promoting Long-term Savings

It is important to encourage long-term savings with new incentives. The rules for the long-term savings account ("PS account") could be changed so that it attracts people to save long-term. The age limit for withdrawals should be lowered and if certain cases such as serious illness, the total sum should be able to be withdrawn in a lumpsum, for example.

Listing of State-owned companies

Nasdaq welcomes the decision by the State Ownership Steering Department to list Posti Group Oyj on the Nasdaq Helsinki Main Market in October 2025. We encourage the continuation of the State Ownership policy to include the listing of non-strategic state-owned companies as a future objective. It is advisable that when the Finnish Government divests equity holdings—whether through listings or privatizations—a significant portion is made available to domestic retail investors.

Listing of bonds

There should be more opportunities for private investors in Finland to access bonds. In recent years, sustainable finance products aimed at private investors—including green bonds—have shown significant market potential in Sweden. Listed bonds would likely have strong market potential in Finland as well, if they were offered in smaller denominations suitable for private investors.

In June 2025, Nasdaq introduced the NDRI criteria (Defense, Resilience, and Infrastructure Bond Criteria) for defense bonds to the European market. This is a new European framework supporting the issuance of bonds related to defense, resilience, and infrastructure. These instruments can channel capital into cybersecurity, dual-use technologies, and infrastructure. Such bonds are also expected to attract private investors.

Attracting Foreign Investments in the Finnish Capital Markets

Foreign investors and capital play a pivotal role in Finland. We rely on international investment to support economic growth, attract global companies, and enhance market competitiveness.

Foreign ownership significantly contributes to the liquidity of shares in Finnish listed companies, which in turn helps reduce the cost of capital. In fact, Finland ranks high internationally in terms of foreign investor participation: as of September 2025, foreign investors hold approximately 55% of the shares and around 54% of the total market capitalization of Finnish companies.

To maintain and strengthen this position, Finland must ensure a level playing field and provide accessible, efficient market infrastructure. Foreign investors are not just participants—they are essential to the vitality, liquidity, and global appeal of Finland's capital markets.

- When implementing EU regulation, it is important not to over-regulate the Finnish capital markets unless there is a special reason.
- Allowing foreign companies' shares to be directly registered in the Finnish book-entry system will make the Finnish capital markets more accessible to foreign companies and investors. The current inflexibility of the central securities depository (CSD) presents a challenge, as foreign companies are required to establish an expensive Finnish Depositary Receipt (FDR) program through a bank.
- Finland should develop a private equity fund structure that meets international standards and supports the growth of investments in unlisted assets, such as private equity and infrastructure projects. Achieving this requires effective tax legislation, clear regulatory practices and efficient processing times. Finland could leverage fund models permitted by the European Union, such as the ELTIF (European Long Term Investment Fund), which enables long-term financing for growth companies, infrastructure and strategic projects, including through private investors. The objective is to enhance Finland's attractiveness as an investment destination and improve the functioning of capital markets. Nasdaq welcomes the announcement by the Ministry of Finance on 23 September 2025 regarding the establishment of a working group to develop a corporate fund structure aligned with international practices. The working group will be supported by two subgroups, one focusing on corporate structure and the other on tax matters. The group will present its proposal in the form of a government proposal.

Promoting Financial Literacy to Empower Household Participation in Financial Markets

At Nasdaq, our purpose is to champion economic opportunity for all. It is important that all the members of the society receive financial literacy education and that as many people as possible have access to the financial markets. Increasing financial literacy in Finland increases well-being in the society. The stock exchange wants to raise awareness of both the financial risks and the opportunities to help investors and equity savers to make informed financial decisions to reach future prosperity.

- Fostering financial literacy among the public should be continued. Financial education should start already at the elementary school. Financial literacy should be taught either as a separate subject or with greater emphasis within existing subjects during both elementary and middle school. At the secondary level, mandatory modules on stock investing and personal finance should be included in the curricula of both high schools and vocational schools. Additionally, financial literacy topics should be incorporated into the national matriculation examination. The goal is to ensure that students gain practical financial knowledge early and consistently throughout their education.
- All newborn children should be given an Equity Savings Account with a start capital (500 eur).

Conclusions

The continued development of the Savings and Investments Union (SIU) presents a timely and strategic opportunity for Finland to deepen and modernize its capital markets. A more inclusive, integrated, and forward-looking Finnish capital market is essential—not only to finance national priorities such as the green transition, digital competitiveness, and economic resilience—but also to ensure Finland’s voice is heard in shaping the future of European financial integration.

By aligning with the SIU’s objectives and implementing the measures outlined in the Financial Sector Growth Strategy and this paper, Finland can lay the foundation for a stronger, more dynamic capital market. One that supports innovation, fosters resilience, and promotes shared prosperity—both at home and across the EU.

Nasdaq Helsinki
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